Alaska Energy Cost Reduction Program
Progress Report

Grantee: Alaska Power Company (a/k/a Alaska Power and Telephone Company)

Project Name: Upper Lynn Canal Power Supply Projects (Denali)

Grant # 0129-DC-2004-I16

Period of Report: First Quarter 2006 (January 1, 2006 to March 31, 2006)

Project activities completed:

- US Forrest Service approved to revised penstock and road design and erosion control plan incorporating a 20% road grade.
- Various pieces of construction equipment have been received and placed in storage.
- Maintain the LCM8 landing craft and crew boat moored in Skagway.
- R&M Engineering was contracted to provide geotechnical report in accordance with USFS requirements.
- Received the generator and associated equipment in Seattle.
- R&M construction, Caron Diamond Drilling and AP&T engineers completed field visits to determine the tunnel and road geophysical properties.
- New Environmental Controls Manager (ECM) was candidate was presented to agencies for replacement after previous candidate committed to other work due to the delays.

Project existing or potential problems:

Permitting continues to be a challenge. Conversations with Federal Energy Regulatory Commission (FERC) indicate an order to begin construction will be issued soon. Finding another ECM could also hold up construction if the new candidates are not accepted. The WEG generator was received in Seattle with damaged packaging and full of water. The manufacture, shipper and insurance company are working out repair and testing of the unit.

Activities targeted for Next Reporting Period, Second Quarter 2006:

- Continue design engineering for phase 2 of the project.
- Set up a preconstruction meeting with USFS, ECM, project manager and project superintendent.
- Continue to plan, order, receive, repair and update maintenance on mobilization equipment and materials.
- Begin mobilization, land clearing and construction of the marine access, powerhouse site and penstock road when FERC approval is received.
- Solicit bids for the penstock materials